

The complaint

Mr E complains that Vanquis Bank Limited irresponsibly lent to him.

What happened

Mr E had a Vanquis credit card which had a £150 credit limit. Vanquis increased the credit limit to £550. Mr E says that the credit limit increase was irresponsibly lent to him as he had a County Court Judgement (CCJ), and he had taken out a £11,000 loan. Mr E made a complaint to Vanquis.

Vanquis did not uphold Mr E's complaint. They said prior to the credit limit increase, Mr E's active unsecured debt was £1,323. They said their checks were proportionate and they didn't believe they irresponsibly lent to him. Mr E brought his complaint to our service.

Our investigator did not uphold Mr E's complaint. He said Vanquis asked Mr E to provide them with updated declarations about his income and expenditure. He said Mr E told them that he had a net monthly income of £1,700, with additional income of £1,500. Mr E declared his living costs as £400 a month and his housing expenditure was £400 a month, so he thought Mr E had enough disposable income to meet the credit limit increase repayments.

Mr E asked for an ombudsman to review his complaint. He said his annual salary at the time of the credit limit increase was £23,900, and there were no mention of bills such as council tax and utilities included in the outgoings. He said his monthly living costs were around £400 a month and his rent was around £400 a month, but his existing debts weren't showing in the expenditure figures. Mr E said his £11,000 personal loan had repayments of around £300 a month and he had an overdraft on his bank account that he was constantly using.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before agreeing to increase the credit available to Mr E, Vanquis needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Vanquis have done and whether I'm persuaded these checks were proportionate.

Increased credit limit - £150 to £550

I've looked at what checks Vanquis said they did when they increased Mr E's credit limit to £550. Vanquis said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr E had provided before approving the credit limit increase.

Vanquis would have been aware that Mr E had previously defaulted on a credit agreement from when they made their account opening checks. But the recent checks showed that Mr E also had a CCJ 12 months prior to this credit limit increase.

It may help to explain here that, while information like a default or CCJ's on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Vanquis made to see if they made a fair lending decision.

The notes on the account show that Vanquis contacted Mr E for his income and expenditure prior to agreeing the credit limit increase. They also delayed the increase to ensure that Mr E's Vanquis account was in order after his next statement.

Mr E had declared a monthly income of £1,700 a month, which is in line with the £23,900 income he told Vanquis about when the account was opened. I've disregarded the £1,500 a month additional income he told Vanquis about as this appears to be other household income, and only Mr E would be responsible for ensuring the Vanquis repayments were made.

Mr E confirmed he had housing costs (such as rent) of £400 a month and living costs (which would include things like council tax and utilities) of £400 a month. But Vanquis had calculated Mr E's total outgoings as £999.85 as opposed to £800.

Vanquis had information from the CRA that they used that Mr E had fixed monthly repayments on credit agreements of £121 a month. And they were aware that his active unsecured debt was £1,323. So they would have been able to factor in Mr E's repayments to his revolving accounts (such as his Vanquis account, and any overdraft he was using).

I've considered what Mr E has said about him taking out an £11,000 loan. But the CRA Vanquis used didn't report this to Vanquis. This can sometimes happen when lenders don't report the account history/activity to all of the CRA's. Vanquis are not required to source information from all of the CRA's as this wouldn't be proportionate. So I can't fairly say that Vanquis should have been aware of the £11,000 loan.

From the information the CRA did report to Vanquis, they would be able to see that Mr E wasn't paying towards his £2,637 outstanding defaulted balance (and he hadn't for the previous five months), and he wasn't paying towards his CCJ's (as the balance stayed at £2,527 since Vanquis had the data the previous year for this).

But the information from the CRA shows that Mr E's unsecured active debt reduced month on month for the previous 12 months. 11 months prior to Mr E's credit limit increase, the active unsecured debt Mr E had was showing as £2,671 (at the same time the CCJ was being reported), but it decreased each month until it was showing as £1,323 prior to the credit limit increase.

So based on this information, and the information Mr E gave Vanquis, it would appear to Vanquis that Mr E would be able to sustainably afford a credit limit increase to £550. Although he had financial difficulties the year earlier which resulted in a CCJ, it appeared Mr E wasn't currently having financial difficulties based on his expenditure that he told Vanquis about, and the fact that the CRA Vanquis used showed his active unsecured debt was reducing each month. The checks showed he had no new accounts in arrears also.

So I'm persuaded that Vanquis' checks were proportionate here, and they made a fair lending decision based on the information from the CRA and Mr E to increase the credit limit to £550.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Vanquis lent irresponsibly to Mr E or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here. So it follows I don't require Vanquis to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 14 January 2025.

Gregory Sloanes
Ombudsman